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NUMBER A863

SUPREME COURT OF THE
UNITED STATES OF
AMERICA

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RALPH BOUMA and MRS. RALPH BOUMA

Petitioners

vs

LARRY C. IVERSON, INC.,

ON PETITION FOR WRIT OF
CERTIORARI FROM THE SUPREME
COURT OF THE STATE OF
MONTANA

Respondent

APPENDIX TO PETITION FOR A WRIT OF CERTIORARI

VOLUME I

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TABLE OF CONTENTS

VOLUME I

<u>ITEM</u>	<u>PAGE</u>
Appendix A - Summary Judgment for Plaintiff	1
Appendix B - Iverson vs. Bouma (Mt., 1981) 639 P.2d 47	28
Appendix C - Order	95
Appendix D - Opinion and Order Dismissing Appeal	102
Appendix E - Order	107

VOLUME II

Appendix F - Findings of Fact, Conclusion of Law and Order in consolidated cases Numbered 8221/8073	109
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VOLUME III

Appendix G - Memorandum in Lieu of Transcript of Hearing Held September 25, 1979	201
--	-----

TABLE OF CONTENTS

VOLUME III

<u>ITEM</u>	<u>PAGE</u>
Appendix H - Order	234
Appendix I - Motion for Disqualification for Cause	238
Appendix J - Affidavit for Disqualification for Cause	240
Appendix K - Order	248
Appendix L - Petition for Rehearing Pursuant to Rule 34, Montana Rules of Appellate Civil Procedure	250
Appendix M - Receiver's Statement to the Court (In Part)	257
Appendix N - Excerpt from Deposition of Robert Keller	268

APPENDIX A

IN THE DISTRICT COURT OF THE NINTH
JUDICIAL DISTRICT OF THE STATE OF
MONTANA, IN AND FOR THE COUNTY OF
PONDERA

* * * * *

LARRY C. IVERSON, INC.,1/

)

Plaintiff,

)

CAUSE NO. 8509

vs.

RALPH BOUMA, Mrs. RALPH BOUMA, his wife
CENTRAL BANK OF MONTANA, a Montana Corp-
oration, M. DEAN JELLISON, DOUGLAS L.
PEACOCK, JACK M. PITZER, GREAT WESTERN
BANK AND TRUST COMPANY, an Arizona banking
corporation and successor in interest to
Pioneer Bank of Arizona, JOE GLENN, LYNN
BARTLETT, and TOM DOWLING

)

SUMMARY JUDGMENT FOR
PLAINTIFF

)

)

Defendants.

* * * * *

On September 25, 1979 the court orally delivered its opinion from the bench in proceedings in the above entitled cause, granting plaintiff's motion for summary judgment therein. The "Memorandum in Lieu of Transcript of Hearing Held September 25, 1979" reciting this court's opinion and order is now on file with the clerk of court, with copies mailed to counsel and Mr. Bouma, and is by this reference, incorporated herein.

By reason of the matters and things set forth herein and in the court's memorandum incorporated herein, IT IS HEREBY ORDERED, ADJUDGED AND DECREED as follows:

1/ Plaintiff was originally named "George Campanella, as Receiver for the Use and Benefit of Larry C. Iverson, Inc." Amendment of the caption of the cause was authorized by order entered September 25, 1979.

1. There is no genuine issue as to any material fact with respect to the legal issues to which the plaintiff's motion for summary judgment is directed.
2. Plaintiff's motion for summary judgment is granted for the reasons set forth herein and in the court's memorandum, incorporated herein.
3. The purported "contract" described in plaintiff's complaint, between Larry C. Iverson, Inc. as seller and Ralph Bouma as purchaser, consisting of a contract for deed dated July 17, 1968, an agreement dated July 17, 1968 and an agreement dated July 16, 1968, copies of which are annexed to the answer of Mrs. Ralph Bouma as Exhibits A, B and C thereof, are null, void, of no force or effect whatever, and have been so ab initio. The "contract never had a legal existence.
4. As judicially admitted in the Ralph Bouma answer on file, Ralph Bouma was aware of facts which should have put a reasonable pruchaser on

inquiry and the court finds therefore that Ralph Bouma knew or should have known that the "contract" he made was not a bonafide corporate obligation, lawfully and properly entered into by persons authorized to do so.

5. That plaintiff is entitled to and is hereby granted and allowed the following:

a. Exclusive possession of the property described in the "contract" hereinabove referred to, as follows:

Pondera County, Montana, Township 28 North, Range 2 East M.P.M.

Section 2: W $\frac{1}{2}$, Section 11: All, Section 15: All, Section 20: SE $\frac{1}{4}$,

Section 21: All, Section 22: All, Section 26: E $\frac{1}{2}$, Section 27:

NW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 28: W $\frac{1}{2}$, Section 29: E $\frac{1}{2}$.

Toole County, Montana, Township 29 North, Range 2 East M.P.M.

Section 34: SE $\frac{1}{4}$, Section 35: SW $\frac{1}{4}$.

b. A full, fair accounting by defendant Ralph Bouma of all money, things of value, revenue, rents, issues and profits derived from possession of the above described property from and after July 17, 1968, including any use as a base for any non-farm business operation.

c. Judgment against defendant Ralph Bouma for all sums due plaintiff for the amounts accounted for with lawful interest on each of said amounts from the time plaintiff became entitled to the same to the date the court approves the accounting and allows credits against the same for such legitimate offsets as defendant Ralph Bouma may be able to substantiate.

6. Defendant is ordered to deliver possession of the premises described in paragraph 5.a. hereof upon plaintiff's demand. The clerk

of this court shall issue an order to the sheriff in the nature of execution to aid plaintiff's recovery of possession as provided by Rule 70, Montana Rules of Civil Procedure.

7. Defendant Ralph Bouma shall file the accounting hereinabove ordered in full detail with supporting documents respecting the credits he wishes the court to consider an his claim for any other credits which be believes he is entitled to receive, on or before the 21st day of January, 1980, a full copy shall be served on each of plaintiff's counsel at the same date. Plaintiff may have 45 days after serving and filing such accounting within which to file exceptions thereto, unless investigative discovery is required, in which case the time shall be extended, upon application to the Judge in Chambers.

8. This court will hear any controversy as to the accounting at

10:00 a.m. the 25th day of March, 1980, at its courtroom in Pondera County. Any briefs to be filed by any party so moved shall be served upon opposing counsel or party not later than the 17th day of March, 1980. Copies of any such briefs shall be furnished to the presiding Judge at his chambers in Glasgow at the same time.

9. Funds in the hands of Central Bank of Montana as escrow agent on the contract herein declared void shall remain on deposit with said bank until futher order of the court respecting distribution thereof.

DATED this 29th day of November, 1979.

/s/ Leonard H. Langen
DISTRICT JUDGE PRESIDING

IN THE DISTRICT COURT OF THE NINTH
JUDICIAL DISTRICT OF THE STATE OF
MONTANA, IN AND FOR THE COUNTY OF PONDERA
* * * * *

LARRY C. IVERSON, INC.,

Plaintiff

) NO. 8509

vs

RALPH BOUMA and MRS. RALPH BOUMA,
et al.,

) FINDINGS OF FACT, CON-
CLUSION OF LAW, JUDGMENT
AND DECREE ON ACCOUNTING

Defendants

* * * * *

Hearing on the accounting of defendant Ralph Bouma heretofore
ordered and plaintiff's exceptions to said account came on regularly
before the court, sitting without a jury, commencing at 9:00 a.m. on
May 12, 1980. Preliminary matters disposed of in advance of hearing the
accounting, were as follows:

The motion of defendants Ralph Bouma and Mrs. Ralph Bouma for an order dismissing the action and/or denying affirmative equitable relief (Document 577 filed May 7, 1980) was denied by the court.

The motion of George Campanella, Receiver of Larry C. Iverson, Inc. to quash the subpoena duces tecum served on him in behalf of the defendants was considered, the Receiver appearing personally in response to said subpoena and being represented by Warren C. Wenz, attorney for the Receiver. The court took the Motion to Quash under advisement. The Receiver remained available at the courthouse in response to the subpoena.

Appearances for the parties in the proceedings were as follows:

CRESAP McCACKEN, Attorney for the Plaintiff RAY F. KOBY, Attorney for the Plaintiff, RALPH BOUMA, Appearing as Attorney Pro Se, GALE GUSTAFSON, Attorney for Mrs. Ralph Bouma, LYNN J. LUND, Attorney for Mrs. Ralph Bouma, RONALD J. GREENHAGH, Attorney for Mrs. Ralph

Bouma.

With respect to the accounting and exceptions thereto, witnesses were called and testified, exhibits offered and received. The Court having seen heard, understood and considered the law and the evidence adduced and being fully informed, now finds, concludes, determines and decrees as follows:

1. The court hereby affirms all bench rulings made respecting offers of proof and declines to receive such proof including all written offers filed herein, subsequent to May 13, 1980; the court hereby adopts and by this reference incorporates herein the following:

A. The Court's Memorandum in Lieu of Transcript of Hearing held September 25, 1979, dated October 26, 1979, filed in this cause

October 29, 1979 as document No. 483.

B. The Court's Summary Judgment for Plaintiff dated November 30, 1979, as document No. 497.

2. With respect to credits due defendant Ralph Bouma as a result of said accounting, the court makes findings of fact as follows:

A. With respect to the property located in Teton County, Montana, referred to herein as the Agawam property, conveyed by defendant Ralph Bouma and wife to Larry C. Iverson, Inc. as a part of the down payment adjudged and declared void in the Summary Judgment for Plaintiff hereinabove incorporated herein, the court find defendant, Ralph Bouma is entitled to credit for the amount the Agawam property was allowed credit on the contract, in the sum of \$126,953.08, together with interest at the rate of 6%

per annum from Jly 17, 1968 to May 14, 1980, in the total amount of \$217,018.43.

B. With respect to contract farming performed on the property in Pondera County, Montana which was the subject of the contract voided by the Summary Judgment for Plaintiff, hereinafter referred to as the Iverson Land, and the cash advances made by defendant Ralph Bouma to the plaintiff, in the principal amount set forth in the first column of digits appearing in Exhibit A, Schedule 1, page 3 of said account, the court finds defendant Ralph Bouma entitled to credit for said principal amount with interest thereon (*) as follows:

(*) Throughout this instrument, where interest is allowed, it shall be computed at the rate of 6% per annum from the specified commencement date to the specified termination date.

- (1) Item 1, contract farming: \$6,587.58 with interest from July 17, 1968 to May 14, 1980;
- (2) Item 2, contract farming: \$28,412.42 with interest from July 17, 1968 to May 14, 1980;
- (3) Item 3, cash advance: \$9,625.92 with interest from July 15, 1970 to May 14, 1980;
- (4) Item 4, cash advance: \$1,500.00 with interest from October 20, 1969 to May 14, 1980;
- (5) Item 5, cash advance: \$1,500.00 with interest from October 27, 1969 to May 14, 1980;
- (6) Item 6, cash advance: \$400.00 with interest from October 25, 1969 to May 14, 1980;

(7) Item 7, cash advance: \$300.00 with interest from February 12, 1970 to May 14, 1980;

(8) Item 8, cash advance: \$1,000.00 with interest from March 4, 1970 to May 14, 1980;

(9) Item 9, cash down payment: The sum of \$5,000.00 with interest from July 17, 1968 to May 14, 1980, plus the sum of \$5,000 with interest from July 15, 1969 to May 14, 1980;

(10) The amounts of principal and interest hereinabove allowed are set forth on Schedule A annexed hereto, by this reference incorporated herein, and entitle Ralph Bouma to credit for said items in the total sum of \$1000,167.12.

C. With respect to real estate taxes assessed by Toole and Pondera County, Montana upon portions of the Iverson land, and paid by defendant Ralph Bouma, the court finds he is entitled to credit

for payments made as follows:

(1) Upon the principal amount of said taxes with interest on the principal amount of each payment made commencing from the date of such payment to May 14, 1980;

(2) The amount of said taxes and interest thereon as set forth in Schedule B appended hereto and by this reference incorporated herein, in the total amount of \$110,059.64, is the amount for which Ralph Bouma should be credited in this account with respect to real estate taxes paid.

D. With respect to mortgage installment payments made upon the mortgage on the Iverson property in favor of Federal Land Bank of Spokane, by Ralph Bouma, the court finds Ralph Bouma is entitled to credit on the annual installments of principal and interest

(totaling \$16,243.74) paid by Ralph Bouma, with interest on each of said payments from the respective dates of payment reflected on the checks received in evidence as Ralph Bouma Exhibits 9 through 19. The Court disallows and excludes from credit to said defendant the overtime interest paid by defendant Bouma with respect to the installment payments, accruing from the due date on each of said installment to the date of payment thereof. The credit allowed is as follows:

- (1) On \$16,243.74 with interest from July 28, 1970, to May 14, 1980;
- (2) On \$16,243.74 with interest from August 31, 1970 to May 14, 1980;
- (3) On \$16,243.74 with interest from August 6, 1971 to May 14, 1980;

- (4) On \$16,243.74 with interest from July 19, 1972 to May 14, 1980;
- (5) On \$16,243.74 with interest from July 9, 1973 to May 14, 1980;
- (6) On \$16,243.74 with interest from August 19, 1974 to May 14, 1980;
- (7) On \$16,243.74 with interest from August 19, 1975 to May 14, 1980;
- (8) On \$16,243.74 with interest from March 15, 1976 to May 14, 1980;
- (9) On \$16,243.72 with interest from August 25, 1977 to May 14, 1980;

(10) On \$16,243.74 with interest from August 16, 1978 to May May 14, 1980;

(11) On \$16,243.74 with interest from May 31, 1979 to May 14, 1980;

(12) The amounts hereinabove allowed, the calculation of which is set forth in Schedule C, attached hereto and incorporated herein, in the total amount of \$240,070.42 is the amount for which Ralph Bouma is entitled to credit on said account for payment of said mortgage installment payments.

E. With respect to improvements upon the Iverson property between July 17, 1969 and May 14, 1980, the court finds Ralph Bouma is entitled to credits, without interest on such credits, as follows:

(1) For the Marvel Brute building \$17,358.00; erection thereof \$7,100.00; and floor \$9,000.00, for a total of \$33,458.00;

(2) For three 7,500 bushel bins and six 22,000 bushel bins,
the total sum of \$154,500.00;

- (3) For the shop, \$8,000.00;
- (4) For the Corrals, \$4,025.00;
- (5) For the quonset floor, \$3,000.00;
- (6) For the earthen dam, \$3,000.00;
- (7) For restoration of acreage, \$38,000.00;
- (8) For lining, overhead door and wiring quonset, \$3,200.00;
- (9) For fencing, \$3,750.00;
- (10) For road improvements, \$1,000.00;
- (11) For underground fuel tanks, \$3,000.00;
- (12) For 1976 improvements on grain bin, \$1,902.00;
- (13) For dwelling remodeling, \$5,200.00;

(14) For water system, \$2,039.00;

(15) That the total amount of credit for which Ralph Bouma is entitled with respect to said improvements is the sum of \$264,074.00;

F. With respect to amounts paid by defendant Ralph Bouma to Central Bank of Montana, Excrow 92 in connection with the contract declared void by the Summary Judgment for plaintiff entered herein, the court finds plaintiff is entitled to credit as follows:

(1) On all payments disbursed by Central Bank or appropriated by said bank from payments made in 1969 and 1970, the amount of such disbursed or appropriated sums with interest from date of payment to May 14, 1980.

(2) On all payments retained by Central Bank of Montana, the amount thereof together with all interest actually accruing thereon

to May 14, 1980.

(3) The total of said credits hereinabove allowed, as set forth in Schedule D, annexed hereto and incorporated herein, is the sum of \$494,320.97.

3. With respect to credits due plaintiff as a result of said accounting, the court makes finds of fact as follows:

A. With respect to amounts received by defendant Ralph Bouma as a result of asserting ownership of the minerals in and under the Iverson property and leasing the same for oil and gas purposes, the court finds as follows:

(1) Plaintiff is entitled to credit in the amounts reported by defendant Ralph Bouma in his income tax returns between the years 1969 through 1979, in the total principal amount of \$34,748.00,

together with interest on the respective annual earnings reported from December 31 for the year reported, to May 14, 1980.

(2) The total amount of said oil lease income and interest thereon, as hereinabove specified, and as set forth in Schedule E appended hereto and incorporated herein, is the sum of \$41,215.46.

B. With respect to crops harvested by Ralph Bouma between July 17, 1969 and May 14, 1980, the court finds as follows:

(1) That the crops harvested during said period are as set forth in the first digital column appearing in Exhibit A, Schedule 5, page 11 of the Ralph Bouma accounting, in the total sum of \$1,907,014.90.

(2) That plaintiff is entitled to one-third of said crops, in the principal amounts set forth in the second digital column appear-

ing in Exhibit A, Schedule 5, page 11 of the Ralph Bouma accounting, in total amount of \$635,671.64, together with interest on each annual crop from September 30th of each year to May 14, 1980.

(3) That the total credit of which plaintiff is entitled for said crops and interest, as set forth in Schedule F hereof, incorporated herein, is the sum of \$819,321.08.

4. Upon the findings of fact hereinabove set forth, the court concludes as follows:

A. The credits due defendant Ralph Bouma hereinabove allowed him as set forth in paragraph 2 hereof exceed the credits due plaintiff as hereinabove set forth in paragraph 3 hereof, amount to the sum of \$565,174.04 as set forth in the recapitulation of credits in Schedule G appended hereto and by this reference incorporated herein,

and Bouma is entitled to judgment against plaintiff in this amount.

B. The court concludes that provision should be made for disposition of the crops to be harvested from the Iverson property during 1980, in the manner hereinafter set forth.

WHEREFORE, upon said findings of fact and conclusions of law, it is ORDERED, ADJUDGED AND DECREED as follows:

(1) For appeal purposes, this judgment shall be considered a final judgment of a district court. The phrase "Upon this judgment becoming final", as hereinafter used, means the earliest date of occurrence of any of the following: (a) Expiration of time for appeal of this judgment, without appeal; (b) In the event of appeal, entry of an order dismissing the appeal; or (c) Return of remittitur herein finally determining this judgment is affirmed, with or without modification on appeal;

(2) Upon this judgment becoming final, defendant Ralph Bouma

shall be paid all funds in the hands of the Receiver of Larry C. Iverson and all interest accrued theron, retained by said Receiver from Central Bank Escrow 92. Said payment will constitute credit of the sum of \$456,217.43, representing the amounts in the hands of the Receiver at May 14, 1980 as set forth in Schedule D hereof plus all additional interest actually accruing upon said sum subsequent to May 14, 1980 to date of disbursement thereof to Ralph Bouma;

(3) The defendant, Ralph Bouma, shall have judgment against Plaintiff in the sum of \$108,956.61 (viz, \$565,174.04, less \$456,217.43) with interest thereon at the rate of 10% per annum from May 14, 1980 until paid.

(4) Each party shall pay his own costs.

(5) The defendant, Ralph Bouma, shall farm the Iverson farm for

the 1980 crop year and shall bear all costs of seed, etc. and furnish all labor in connection with said farming operation including the cost of harvesting. As compensation for his said services, Ralph Bouma shall be entitled to receive two-thirds of the crop harvested. Plaintiff's one-third shall be delivered by Bouma at his expense to such storage facilities or granaries situated on the Iverson Farm as plaintiff shall direct.

(6) At the end of the 1980 crop year, Bouma shall be reimbursed for the summer fallow remaining on the Iverson farm at that time at the going rate for summerfallow in the Ledger, Montana area.

(7) Save and except for Ralph Bouma's judgment lien in the sum of \$108,956.61 plus interest created by reason of paragraph (3) of this judgment, title to the land described in plaintiff's complaint

filed herein and in the summary judgment for plaintiff filed herein,
is hereby quieted in plaintiff against the claims of all defendants
herein.

DATED this 8th day of September, 1980.

Leonard Langen

DISTRICT JUDGE

APPENDIX B

* * * * *

LARRY C. IVERSON, INC. a Montana
Corporation,)Plaintiff, Respondent and)
Cross Appellant)

NO. 80-83

v

RALPH BOUMA and MRS. RALPH BOUMA,)
Defendants and Appellants.)

* * * * *

Gale R. Gustafson, argued, Conrad, for defendants and appellants.

Swanberg, Koby, Swanberg & Matteucci, Great Falls, Raymond F. Koby,
argued, Great Falls, Church, Harris, Johnson & Williams, Great Falls,
Cresap S. McCracken, argued, Great Falls, for Plaintiff, respondent and
cross appellant.

DALY, Justice.

On December 10, 1971, the receiver commenced this action in the Ninth Judicial District of the State of Montana, in and for the county of Pondera, for the purpose of obtaining a decree adjudging documents comprising an installment contract naming Larry C. Iverson, Inc., as seller, and Ralph Bouma, as purchaser, to be invalid, to regain possession of and quiet title to the 4,520 acres of farmland embraced in the contract, together with appropriate ancillary relief including an accounting by the Boumas.

In August 1978, plaintiff and the receiver joined in a motion for summary judgment, asserting that the Bouma contract was void as a matter of law. On September 25, 1979, the motion for summary judgment came on for hearing before the then presiding district judge, the Honorable Leonard H. Langen, who granted the motion for summary judgment. The court reporter's notes containing the order as announced from the bench were

discovered missing following a break-in of her automobile before the notes were transcribed. Consequently, Judge Langen prepared and filed a "Memorandum in Lieu of Transcript of Hearing" in October 1979. On November 30, 1979, a formal summary judgment for plaintiff was entered which adjudged the Bouma contract void and ordered the Boumas to account for the money, rents, issues and profits derived from possession of the farm.

Boumas filed their accounting on February 21, 1980. Hearing on the accounting was held May 12, through 14, 1980. On September 9, 1980. the court entered its findings of fact, conclusions of law, judgment and decree on accounting, setting forth all of the respective adjustments found by the court to be appropriate between the parties in conjunction with restoration of the farm to the corporation

In February 1980, following entry of the summary judgment for the corporation and denial of Boumas' motions, the Boumas filed a notice of appeal to this court. Boumas requested an order deferring prosecution of the appeal, and this request was granted in an order of this Court dated February 29, 1980, deferring prosecution until thirty days after the conclusion of the accounting and final adjustment and settlement. Notice of entry of judgment was given by the clerk of court September 10, 1980, and this appeal followed.

To fully comprehend the nature of this case, it is necessary to include a history of the facts and procedures. This matter began when the Larry C. Iverson Corporation, hereinafter called "the corporation" was incorporated on July 17, 1964. The corporation is a Montana corporation with its principal place of business at Ledger, Montana.

It was capitalized for \$500,000 divided into 5,000 share of a

single class of common stock of \$100.00 par value. It was organized to be governed in its business by a board of directors of three persons empowered to elect officers to perform the executive functions of the corporation.

On August 19, 1964, a total of 2,523 shares of stock of the corporation were issued to the following named persons in certificates as follows:

<u>Stockholder</u>	<u>Cert. #</u>	<u>No. of Shares</u>
Larry C. Iverson	1	463
Linda M. Iverson	2	1
Mabel Iverson	3	58
Mabel Iverson	4	450
Irene A. Keierleber	5	300

Gilbert F. Keierleber	6	300
Connie Iverson Fulton	7	440
Darrell L. Brown	8	1
Carl O. Iverson	9	450
Carl O. Iverson	10	<u>60</u>
TOTAL SHARES		2,523

Further, on November 22, 1965, the following certificates were issued to replace lost certificates representing shares in the corporation:

<u>Stockholder</u>	<u>Cert #</u>	<u>Issued to Replace</u>	<u>No. of Shares</u>
Irene A. Keierleber	11	5	300
Mabel Iverson	12	3	58
Carl O. Iverson	13	10	60

In December 1964, Carl and Mabel Iverson and Gilbert and Irene Keierleber hired J. Milton Krull and John C. Treadaway as business managers for the corporation. Krull and Treadaway continued as business managers, consultants, purported officers, directors and stockholders of the corporation until it went into receivership in November 1970. In the receiver action it was adjudged that Krull and Treadaway were corporate usurpers, and they were "stripped" of their titles and any interest they "did not" have.

Soon thereafter, the stockholders of the corporation came upon hard times and on March 16, 1967, Farmers State Bank of Conrad had become the owner of 450 shares of Mabel Iverson's stock (of the original issue) and 450 shares of Carl Iverson's stock (of the original issue)

Farmers State Bank acquired the ownership as a result of a pledge of the shares by Carl and Mabel on which the bank eventually had to foreclose. Also, as a result of this foreclosure, the corporation was able to redeem as treasury stock and become the equitable owner of 182.7 shares of the 900 shares now owned by Farmers State Bank. Prior to the above foreclosure, on July 21, 1966, in Helena, Montana, United Bank of Pueblo purchased, at a sheriff's sale, 118 shares of stock of the corporation then owned by Carl and Mabel Iverson.

The other major stockholders also fell on bad times. Gilbert and Irene Keierleber were adjudicated bankrupt on January 24, 1966. As a result, the trustee in bankruptcy, Stanley M. Swaine, became the owner of the Keierlebers' stock - that is, Stanley M. Swaine, as

trustee in bankruptcy of the estate of Irene Keierleber, became the owner of 300 shares of stock, and, as trustee in bankruptcy of the estate of Gilbert Keierleber, he became the owner of 300 more shares subject to a pledge to Farmers State Bank.

As a result of the above events, the corporation by March 16, 1967, was "owned" by almost a completely new set of shareholders. The ownership was as follows:

<u>Stockholder</u>	<u>Shares</u>
UNITED BANK OF PUEBLO	118
CONNIE IVERSON FULTON (Subject to pledge to the United Bank of Pueblo for the purchase price at par value of \$100 per share)	440
FARMERS STATE BANK OF CONTRAD	717

<u>Stockholders</u> (cont'd)	<u>Shares</u> (cont'd)
STANLEY M. SWAINE, as trustee in bankruptcy of the estate of Irene Keierleber	300
STANLEY M. SWAINE, as trustee in bankruptcy of the estate of Gilbert Keierleber (subject to a pledge to the Farmers State Bank of Conrad)	300
LARRY C. IVERSON, INC., (as treasury stock)	<u>648</u>
Total	2,523

Farmers State Bank, the trustee and United Bank had all made demands upon the corporation, Krull and Treadaway for issuance of stock certificates to them, but these demands were refused. This resulted in state court actions, Nos. 8221 and 8073 respectively, in the District Court of the Ninth Judicial District, Pondera County, to quiet title to

the ownership of the stock. The District Court found for the Farmers State Bank, the trustee and United Bank and awarded them title on April 7, 1971.

It is necessary at this juncture to include several factual events transpiring prior to the sale of 4,520 acres of farmland from the corporation to the defendants-appellants Bouma in July 1968. From the findings of fact and conclusions of law of Cause Nos. 8221 and 8073, it was found that a purported meeting of stockholders as held in Phoenix, Arizona, on November 22, 1965, which resulted in a second issue of stock to be distributed on January 3, 1966. However, it was found that not only was the meeting improper but that no compensation was given to the corporation for the stock issued and the amount of stock issued was in

excess of that authorized by the articles of incorporation.

There was another "event" which took place in January 1967 and was discussed by the District Court. This "event" was another improper shareholder meeting in Dillon, Montana. At this meeting, attended only by Carl Iverson, Krull and Treadaway, it was decided to cancel all the shares of the second issue and to authorize a third issue. No consideration was given for the 2,595 share "created", and 2,477 shares were "given" to Krull and Treadaway. It is important to note that at the time of this meeting at least 600 shares of the originally issued stock was "equitably" owned by Stanley Swaine, as trustee in bankruptcy for the Keierlebers.

Although there were numerous events transpiring after incorporation

in 1964 that well illustrate the manner in which the corporation was mismanaged, suffice it to say that the contract in question here was the fountainhead. In July 1968 the corporation purported to sell 4,520 acres of land to Ralph Bouma on a contract for deed for a purchase price of \$734,500. The validity of the sale of land to Ralph Bouma (hereinafter called the Bouma contract) is the underlying issue of this appeal. Again, a history of the contract negotiations, terms, result, etc., is necessary to provide a clear understanding of the issue at hand. It is important to keep in mind, while reading the following factual summary, that 76 percent of the corporation was "owned" by Farmers State Bank of Conrad, United Bank of Pueblo, and Stanley Swaine, trustee in bankruptcy for the Keierlebers, at least a year before the Bouma contract.

In July 1968 approximately 4,500 acres of land of the corporation was sold to Ralph Bouma on a contract for deed for a purchase price of \$734,500. Bouma made a partial downpayment to the corporation in the form of a trade of 1,440 acres of land located in Teton County (hereinafter called the Agawam place) at an allowance of \$150 per acre. Though not immediately relevant, it was found from the District Court's findings of fact and conclusions of law that six weeks after the sale, the Agawam place was resold by Krull and Treadaway, acting for the corporation, to the father and brothers of Ralph Bouma at a price of \$92.50 per acre, resulting in a loss of \$82,800 to the corporation. Also, the father and brothers sold the Agawam place one year later a \$120 per acre.

The sale of the corporate farm occurred during a purported directors meeting in Phoenix, Arizona, on July 19, 1968. The parties involved at

the meeting were Treadaway, Krull and Carl and Mabel Iverson. There were no other shareholders at the meeting, and there is no record of any notice having been given to any of the shareholders about the meeting. Also, no publication of notice or filing of the resolution authorizing the sale was published in the local newspaper, and no filing of the certificate of proceedings and no resolution authorizing the sale was published in the local newspaper, and no filing of the certificate of proceedings and no resolution authorizing sale was made with the Pondera County clerk and recorder. Further, no Montana attorney was retained during the transaction, no title investigation was undertaken, and the contract authorized payment of 44 percent of the unpaid installment balance of the contract directly to Krull and Treadaway.

In 1968 Farmers State Bank and Stanley W. Swaine commenced a stock-holders derivative action against the corporation and the persons controlling it (District Court Cause No. 8073). In 1969 United Bank of Pueblo commenced an action for similar relief and for corporate dissolution (Cause No. 8221). These actions were consolidated during trial and concluded in 1971 with the exception of continuing jurisdiction to govern the receivership of the corporation. George Campanella was appointed receiver pendente lite and his status as receiver was affirmed in the final judgment.

The receiver then proceeded in 1971 against Bouma to recover the 4,520 acres of land which was originally the principal asset of the corporation. In February 1978, the Honorable B.W. Thomas granted a

petition of the receiver for relief from his responsibilities in pursuing the recovery of the acreage. The present stockholders reorganized the corporation under the directive of Judge Thomas and continued the action (Cause No. 8509) as a partially reconstituted corporation. It was not until September 25, 1979, that Judge Langen granted plaintiff-respondent's motion for summary judgment. In so doing he brought to an end some fifteen years of litigation involving the corporation which began with a receivership action by Farmers State Bank in 1965.

In the summary judgment motion, Judge Langen held that, as a matter of law, the persons with whom Bouma dealt and from whom he obtained the Bouma contract - namely, Krull, Treadaway and the Iversons - were without lawful authority to contract in behalf of the corporation, and, therefore, the contract was void. The judge also found that Bouma knew,

or should have known, that these purported officers of the corporation did not have the authority to authorize the sale.

The court reporter's notes containing the order as announced from the bench of September 25, 1979, were discovered missing following a break-in of her automobile before they were transcribed. Judge Langen, therefore, prepared and filed a "Memorandum in Lieu of Transcript of Hearing" in October 1979. On November 30, 1979, a formal summary judgment for plaintiff was entered which adjudged the Bouma contract void and ordered Boumas to account for the money, rents, issues and profits derived from possession of the Iverson farm.

Appellants filed their accounting of February 21, 1980. Hearing on the accounting was held May 12 through 14, 1980. On September 9, 1980, the court entered its findings of fact, conclusions of law, judgment

and decree on accounting (hereafter "accounting decree") setting forth all of the respective adjustments found by the court to be appropriate between the parties in conjunction with restoration of the Iverson farm to the corporation.

In the accounting decree the Boumas were allowed credit for two-thirds of the crop harvested during the period between the Bouma contract date of April 17, 1968, to the date of the accounting hearing which closed May 14, 1980, together with interest on each annual crop from September 30 of each year. As a result of this finding, Boumas were allowed crop share and interest thereon totaling \$819,321.08.

In a prehearing brief filed by the corporation in April 1980, the corporation furnished argument and authority to the court in support of its contention that the Boumas should be treated as "willful trespassers" not entitled to the fruits of their wrongul occupation of the

Iverson farm. The court disagreed with this contention and made the crop harvest award as previously described.

In its accounting decree, the court also allowed the Boumas credit totaling \$264,074 for the value of certain improvements made to the Iverson farm, to the extent of the enhanced value of the property resulting from the improvements. That is as follows:

<u>Improvement Per Accounting Decree Page 6</u>	<u>Cost or Replacement Cost Per Boumas Acct</u>	<u>Credit Court Allowed Bouma</u>
Three 7,500 bu. bins & six 22,000 bu. bins	\$106,352	\$154,500
Restoration of acreage	<u>4,000</u>	<u>38,000</u>
Totals	\$110,352	\$192,500

The 7,500 bushel bins were installed in 1975 and 1976 and the 22,000

bushel bins in 1976. The acreage restoration took place over a period of six or seven years. The excess allowance was awarded over the corporations objections that the enhanced value should be restricted to the costs thereof.

The 1968 Bouma contract purported to convey the Iverson farm, minerals and all, to the Boumas, less and "undivided one-half interest in the landowner's oil and gas royalty interest which it now has". Later, for credit against his running account at \$1 per acre. Ralph Bouma procured a "mineral deed" from Krull and Treadaway purporting to convey the corporation's minerals on and under the Iverson farm to Bouma. When Bouma was shown to have received \$34,748 in oil revenue from the Iverson farm and could not rely upon the void Bouma contract, he asserted the revenue was his by virtue of the "mineral deed". Judge Langen ruled,

over the Boumas' objections, that the corporation was entitled to the oil money with interest. Boumas raised the issue again in their motion to alter or amend the accounting decree. The trial judge reversed himself and deleted from credits awarded the corporation the sum of \$41,215.46, being the \$34,748 oil revenues with accrued interest.

In February 1980, following entry of the summary judgment for the corporation and denial of Boumas' motions pursuant to Rules 52, M.R.Civ.P., the Boumas filed notice of appeal to this Court. Boumas requested an order deferring prosecution of the appeal, and this request was granted in an order of this Court dated February 29, 1980, deferring prosecution until thirty days after the conclusion of the accounting and final adjustment of accounts by notice of entry by the clerk of court of the final

order of judgment. Notice of entry of judgment was given by the clerk of court September 10, 1980.

In conclusion, the matters that now stand before this Court are the appeal by the Boumas of the District Court's ruling on summary judgment and the cross-appeal by the corporation on the District Court's accounting decree.

Numberous issues have been presented to this Court for review by appellants Bouma. The nineteen issues set forth in appellants' brief can be summarized as follows:

1. Did the District Court err in holding that the disputed contract was void?
2. Were there genuine issues of material fact in the case which made summary judgment inappropriate?

3. Are any of the appellants' "defenses" sufficient to warrant reversal of the summary judgment (i.e. (a) laches, (b) estoppel, (c) ratification, (d) statute of limitations, (e) etc.)?

4. Did the District Court err in substituting as plaintiff the partially reconstituted corporation in place of the plaintiff receiver while the corporation remained under receivership?

The following issue is presented by cross-appellant Iverson Inc.:

1. Did the District Court err in its accounting decree?

We note at the outset of this opinion that Ralph Bouma, one of the appellants, has been obliged in every way. This Court has tried to be fair and impartial regardless of the fact that Mr. Bouma has failed to reciprocate. He has publicly accused this Court and its individual

justices of conspiring against him and of using their positions to his personal detriment. Mr. Bouma has even gone so far as to file an action in Federal District Court alleging that the justices of this Court have violated his civil rights. That is his right. However, Mr. Bouma does not seem to realize the law cannot be, and will not be, distorted to satisfy the personal whims of one man - for ours is a system of laws not men.

From the facts and appellants' contentions it would seem that this case presents numerous complex legal issues requiring careful legal analysis. Actually, the only real problem is trying to "find" the issues through the deluge of irrelevant material that appellants have presented to this Court. This appears to be the appellants' "style", as they have continued over the years to inundate the opposing party, the lower court and this Court with reams of unnecessary papers, files, and demands.

One need only to read this Court's comments toward appellants in two prior matters to grasp the degree to which the appellants have made a mockery of the appellate process.

We were first introduced to the appellants in Farmers State Bank of Contrad v. Iverson, et a., and Bouma (1973), 162 Mont. 130, 509 P. 2d 839. This Court found that the appellants never even filed the appropriate papers seeking to intervene in a case in which they alleged they were entitled to be interested parties. The Court said: "In addition we must comment on the 'back door' attempt by petitioners and appellants [Boumas] to introduce extraneous evidence in these proceedings by attaching Appendix 'A', 'B' and 'C' to their brief on appeal". 509 P. 2d at 841. The Court added, "We strongly condemn this practice

by counsel for appellants and use this occasion to warn other parties to
further appeals that this practice will not be tolerated". The Court
dismissed the appeal as frivolous and assessed damages of \$1,000 under
Rule 32, M.R.App. Civ.p., for bringing an appeal with merit.

In Campanella v. Bouma (1974), 154 Mont. 214, 520 P. 2d 1073,
1074, this Court again noted that the appellants had filed motions unheard
of in the law and set forth twenty-eight counts of error that were
termed frivolous, impertinent, and immaterial. The Court, stated: "Specif-
ic instances shall go uncited at this time, however it is apparent that
in the past Mr. Bouma has used his lack of representation to his advantage
in these proceedings and has also used the fact of his wife's representaion
also to his advantage." 520 P. 2d at 1075. The Court further stated:

"In so ruling, the Court has attempted to retain its objectivity, continuing to assume that such motion [motion for substitution of appearances] was legitimately motivated, an exceedingly difficult task considering the motion is absurd in nature, irrelevant and scandalous in content and vituperative in tone." 520 P. 2d at 1078. Finally, this Court, while on the brink of holding that appellants' motion was contemptuous, stated: "There is no place in our judicial system for such an undignified product even if a member of the bar had not lent his name to it". 520 P. 2d at 1078. It is apparent that the appellants do not take heed of this Court's warnings but continue to present frivolous, scandalous, burdensome, inane and totally irrelevant materials for review.

Issue 1: Did the District Court err in holding that the disputed contract was void?

[1] The District Court's ruling was based on only one narrow issue. This sisue was the basis for the granting of the corporation's summary judgment motion. After reviewing the affidavits, depositions, documents, court decrees, orders and findings of fact and conclusions of law from consolidated causes 8221/8073, the District Court found that the contract was void from the start. Though there may have been numerous materials presented to the court, the judge found that the whole matter boiled doen to the validity of the contract. The Court's finding that the contract was void is well supported by the facts and the law.

Form the findings of fact and conslusions of law of causes 8221/8073 it was determined that the corporation met only twice before the Bouma contract was entered into. The first time was on August 19, 1964, when the corporation was orgainized, and the second time was in Dillon, Mont-ana, on January 1967. The first meeting as a proper meeting, and it

was at this meeting that the corporation attempted to adopt a bylaw that may have prevented the later contract from being void. The bylaw contained the following provisions:

"The Board of Directory shall have the power and general authority to sell, lease, mortgage, exchange or otherwise dispose of the whole or any part of the property and assets of every kind and description of the corporation, for property for the whole or part of the capital stock of any other corporation..."

This bylaw was never made effective. Sections 15-908, R.C.M., 1947, which were then in effect, required that, for this type of bylaw to be effective, it must be noticed and published in a newspaper printed in the county clerk and recorder in the same fashion as specific authorization meetings for the sale of substantially all of a corporation's

assets. The affidavit of the publisher of the local newspaper, Jack Lee, and the affidavit of the county clerk and recorder, Gladys Mortenson, both establish that no notice was published and no filling of the bylaw was made.

Section 15-908, R.C.M. 1947, provided in part:

"Stockholders may adopt by-law giving directors power to sell or lease property of corporation - limitations on which authority. At any meeting of the stockholders of any corporation called and noticed in the manner provided by this chapter, the stockholders may... adopt a by-law giving the board of directors of such corporation such general authority to sell, lease, mortgage, exchange or otherwise dispose of the whole or any part of the property and assets of every kind and description of such corporation..."

Section 15-909, R.C.M. 1947, provided in part:

"Same-contents of resolution and notice. The resolution calling the meeting and the notice mailed to stockholders and published shall state that the meeting is called for the purpose of considering the adoption of a by-law empowering the board of directors of the corporation to sell, lease, mortgage, exchange, or otherwise dispose of the whole or any part of the property and assets of every kind and description of such corporation, for property, or for the whole or part of the capital stock of any other corporation, whether domestic or foreign, or otherwise. In all other respects notice shall be given and the meeting shall be had and a copy of the minutes thereof shall be filed as provided by this chapter."

Appellants cannot expect a court to overlook a statute that is clear in its intent.

[2] There is further case law and encyclopedia law to support the judge's ruling. In the case of Hanrahan v. Andersen (1939), 108 Mont. 218, 90 P. 2d 494, 499, the Court held:

"... it is equally well settled in the absence of express statute, that in the case of a solvent corporation which has accumulated property for use in its business, neither the directors, nor even the stockholders except by unanimous vote, have the authority to dispose of such property except in the furtherance and in the ordinary course of the business; for otherwise the authority is being used to defeat, to that extent, the very purpose for which the authority was given..."

Also, in 19 C.J.S. Corporations, § 1240 at 932, it is found that: "Sales and assignments by corporations, to be valid, must be within the corporate powers, made in good faith and in conformity with governing charter or

statutory regulations." The law is clear on this point. It is not proper for a corporation to sell its property assets, in this case the only real asset, without following the requisite statutes, unless there is a bylaw provision that has been properly filed and published to allow it.

Further, from the findings of fact and conclusions of law of causes 8221/8073, it was found that the parties who represented the corporation at the time of the Bouma contract, August 1968, were without authority to act for the corporation. Thus, the people who purported to represent the corporation lacked the capacity to contract. Worman Motor Co. v. Hill (1939), 54 Ariz. 227, 94 P. 2d 865; 17 C.J.S. Contracts, § 27 at 630.

It is also to be observed, by way of limitation of the doctrine of

Ultra Vires, that an attempted conveyance by the officers of a corporation of its property without authority does not involve the doctrine of ultra vires, but of agents to act on behalf of their principal without authority. 19 Am.Jur 2d § 963 at 441; Hotaling v. Hotaling (1924), 193 Cal. 368, 224 P. 455, 56 A.L.R. 734. In Hotaling, a board of directors meeting was held to decide whether certain property of the corporation was to be sold, and under the bylaws of the corporation a majority of the board of directors was necessary to approve a property sale. At the meeting only two of the five directors voted. The court ruled the contract void and that this act was not a question of ultra vires but of agents who acted on behalf of a principal (the corporation) without the authority to do so.

Without the bylaw necessary to provide an exception to the statutory rules, the "purported" directors were required to follow strict

statutory procedure to sell the farmland to the appellants. In pertinent part section 15-901, R.C.M. 1947, applicable at the time of the contract, provided:

"Procedure for sale, lease, etc., of corporate property - call of stockholders' meeting. The board of directors or trustees of any stock corporation... shall have power, and upon request of stockholders representing at least one-half ($\frac{1}{2}$) of the capital stock outstanding and ... entitled... to vote at the meeting hereinafter provided for, it shall be their duty to call by resolution a meeting of the stockholders of sch corporation, appearing as such upon its books, and entitled to vote at such meeting, as aforesaid, for the prupose of considering the question of selling, leasing, mortgaging, exchanging, or otherwise disposing of the whole or any part of the property and assets of every kind

and description of such corporation, for property, or for the whole or part of the capital stock of any other corporation, whether domestic or foreign, or otherwise. Such meeting shall be held at the principal place of business of such corporation, and at least thirty (30) days previous notice of the time and place of such meeting..."

Section 15-902, R.C.M., 1947, provided in pertinent part:

"Notice of stockholders; meeting - contents-mailing -publication. The secretary of the corporation shall make out and deposit in the United States post office, postage paid, a notice of such meeting, directed to each stockholder of record of the corporation, entitled to vote at such meeting, as aforesaid, by his name and his place of residence appearing on said records, and shall make and file his affidavit as such deposit. . The notice shall state the time, place and

and the purpose of the meeting, and shall contain a complete and specific statement of the proposal to be considered and acted upon at said meeting, including in all cases where only a part of the property of such corporation is affected, a general description of the property proposed to be sold, leased, mortgaged, exchanged, or otherwise disposed of. A similar notice shall also be published at least once a week for at least four (4) consecutive weeks preceding the day of said meeting, in some newspaper of general circulation published in the county wherein the principal place of business of such corporation is located.."
Further, section 15-903, R.C.M. 1947, provided:

"Organization of meeting-vote on proposal-adoption of resolution. Upon the day appointed for said meeting... if stockholders representing at least two-thirds (2/3) of the whole number of shares of the capital

stock of said corporation then outstanding, and of record on the books of the corporation, and entitled, as aforesaid, to vote at such meeting, appearing at said meeting in person or by agents or proxies, as above provided, vote in favor of any such proposition, whether proposed by the directors or trustees, or not, as said stockholders may see fit, which proposition shall be in the form of a resolution specifying the particulars thereof and entered on the minutes of said stockholders' meeting, the said proposition or resolution shall be taken and adopted as the act of the corporation, and shall be carried out as such, and shall be approved and adopted by the board of directors or trustees."

And, section 15-905, R.C.M. 1947, provided:

"Secretary to enter result in minutes-copy thereof to be filed with county clerk of counties where corporation owns real estate. The

secretary of such meeting shall enter upon the minutes of said stockholders meeting the total number of shares, and the number of share of each class, voted for or against the proposition or resolution, and by whom voted, and stockholders voting against said proposition or resolution shall be taken as dissenting therefrom. Upon the adoption of any proposition or resolution such as above referred to, by the stockholders meeting, the secretary of the meeting shall make out a true and complete copy of the minutes of the stockholders' meeting, which shall be signed by the chairman of such meeting, and attested by said secretary and verified by them and acknowledged as required in the case of conveyance of real estate, and shall file the same for record in the office of the county clerk and recorder of the county wherein the principal office or place of business of such corporation is situated, and also in the

office of the county clerk and recorder of any other counties wherein any of the real property included in the proposition or resolution adopted by said stockholders' meeting is situated."

Finally, section 15-501, R.C.M. 1947, provided:

" Meeting of stockholders and board of directors-where held. The meetings of the stockholders of a corporation must be held at its office or principal place of business in the state of Montana, except as hereinafter provided..."

The statutory language is clear. A corporation must comply with the statutes to properly convey corporate property. Failure to do so has been addressed by this Court in *Hanrahan v. Anders*, *supra*. In *Hanrahan* this Court held that failure to comply with the statutes in a transaction of this type voids the contract. The case dealt with a

conveyance of substantially all the assets of a corporation. Section 15-901 through 15-910, R.C.M. 1947, were all codified as section 6004, R.C.M. 1921, and these same statutes were in effect at the time of the Bouma sale. The court held in Hanrahan, 90 P. 2d at 500, as follows:

"Defendants contend that these transfers to Consolidated and Andersen do not come within the provisions of section 6004, because Capital retained its official books, records and office, and thereafter transacted business and was shown thereafter to have had other property. The argument overlooks the reason for the rule. If the question were merely whether the corporation had other property after the transaction no sale could ever be objected to by a minority stockholder, for in any sale other property is received as consideration. Furthermore, the stat-

ute refers to the sale of 'the whole or any part' of the property. Every part of the statute must be construed as having some meaning, and since the obvious purpose of the statute was to enlarge corporate powers to sell property, it must be construed as authorizing sales not already within the powers of the board of directors because not in the furtherance and in the ordinary course of the corporation's established business. In any event it is apparent from the record that both transactions involved all, of the corporate assets and greatly affected the established corporate business, and therefore came well within the class of transactions necessitating compliance with the statute. "The conveyance to Consolidated was a nullity, for the stockholders. meetings purported to authorize it were held on insufficient notice. Whether the defects indicated in those proceedings were material need not be considered.

".... Furthermore, the trust deed to Andersen was obviously void because of failure to comply with the provisions of section 6004." (Emphasis added).

Also, in Schwartz v. Inspiration Gold Mining co. (D.Mont. 1936), 15 F. Supp. 1030, 1036, the court came to a similar conclusion:

"The statute requires that 'notice shall state the time, place and the purpose of the meeting' [of stockholders]; 'and shall contain a complete and specific statement of the proposal to be considered and acted upon at said meeting.' Section 6004, Rev. Codes Mont . 1921, as amended, Sess. Laws 1931, pp. 108, 107, c. 42, § 1...

"...

"No answer to any of these inquiries can be found in the notice here under consideration. It follows that the notice does not 'contain a complete and specific statement of the proposal to be considered and

and acted upon at the meeting'; with the result that the same does not meet the requirements of the Montana statute and is insufficient in law to set the power of the stockholders of the defendant coporation in motion. *Jones v. Vance Shoe Company* (C.C.A. 7th Cir.) 115 F. 707, 708; *Forrester v. Boston & M. Mining Company*, 21 Mont. 544, 55 P. 229, 253; *Thompson on Corporation* (3rd Ed.) pp. 106 and 284."

Clearly, the courts have held that the statutes regulating the sale of corporate assets must be strictly followed and that the failure to do so will result in the transaction being declared a nullity.

The only law in support of appellants' position, not cited by appellants can be found at 9 A.L.R. 2d 1297, and can easily be distinguished. There is a discussion in this section of when and how a corporation in

the business of selling property need not have shareholder approval to sell corporate assets. However, the section draws a distinction where a corporation is selling its only major asset and holds that in those circumstances shareholder approval is necessary. Further, another distinction can be found in the fact that there is no mention of how state statutes affecting corporate property sales may affect the validity of a sale without shareholder approval.

The facts and law in support of Judge Langen's ruling does not end here. In the findings of fact and conclusions of law in causes 8221/8073, the court held that the directors meeting in which the Bouma contract came to pass was a total sham. The reasons are clear. The corporate law at that time required that for a person to be a corporate director,

they also had to be a stockholder. None of the parties present at the Phoenix "directors" meeting were stockholders. That is, Mabel and Carl Iverson had lost their stock to Farmers State Bank over a year before this meeting was called. Krull and Treadaway had never owned stock in the corporation and did not own any at the time of the meeting. Also, all theirother stock was held by various interests that were not present at the meeting.

The reasons that no stockholders were in attendance at the meeting was that no notice of the stockholders meeting was even given, contrary to Chapter 9, Title 15, of the Montana Corporation Code, then in effect. Also no provision was made for protection of the rights of dissenting stockholders, as the statutes required. No publication of notice or filing of the resolution authorizing the sale was published in the local

newspaper, and no filing of the certificates of proceedings and resolution authorizing the sale was made with the Pondera County clerk and recorder. Quite simply, the meeting was a farce.

[3] Appellants argue that the shareholders who were present were the shareholders of record and that, Farmers State Bank, United Bank of Pueblo and Stanley Swaine were not shareholders of record and, therefore, not entitled to notice. This argument flies in the face of the law and the reality of the situation. First of all, Montana case law holds that a person may be owner of stock in a corporation even though certificates of stock have not been issued. *Heniningsen v. Stomberg* (1950), 124 Mont. 185, 221 P. 2d 438. Secondly, it required a suit by Farmers State Bank, United Bank of Pueblo and Stanley Swaine to have their interests recognized. *Farmers State Bank of Conrad v. Iverson*

(1973), 162 Mont. 130, 509 P. 2d 839. The fact that Krull and Treadaway refused to issue certificates until they were forced to do so by court order does not mean that the aforementioned parties were not shareholders. Thus, the meeting was held by parties incapable of authorizing anything, much less a sale of the only major corporate asset.

Of importance in any determination is the manner in which Bouma conducted himself at the time of the sale. No Montana attorney was retained in connection with the transaction. No title investigation was conducted by Boumas on a three-quarters of a million dollar land transaction. The contract authorized payment of 44 percent of the unpaid contract installment balance directly to Krull and Treadaway instead of to the corporation. These facts illustrate the existence of questionable circum-

stances. Further, the fact that Bouma's ranch, the Agawam place, was purchased by the corporation for \$150 per acre and six weeks later sold to members of Bouma's family, together with the fact that Bouma admitted knowing of the Farmers State Bank action and even being told of Farmers State Bank interests by Krull and Treadaway indicate that Judge Langen's ruling was not contrary to the weight of the evidence.

It is apparent from the record in this case that the transactions involved virtually all of the corporate assets, greatly affected the established corporate business and, therefore, came well within that class of transactions necessitating compliance with the statute. Accordingly, there was a pretense to comply with the law, and the failure to do so caused the contract to be void. There is no question that the meeting was a sham and that the shareholders entitled to vote, 76 percent

of the corporation, were not notified and not represented. Appellants knew about the shareholder action, took a gamble when they "purchased" the Iverson farm and lost.

Issue 2: Were there genuine issues to material fact in the case which made summary judgment inappropriate?

Summary judgment is proper"... if the pleadings, depositions, answers, to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law..."

Rule 56(c) M.R.Civ.P.

Appellants contend that the District Court erred in granting the corporation's summary judgment motion because there were material issues of fact that were present and must be adjudicated by a trial. Appellants urge that they presented sufficient evidence to support their

own summary judgment motion and to deny the respondent's motion. Appellants argue that because of their "numerous affidavits" the motion should be denied. Also, they contend that the contract voidability was a question of fact for a jury, that the judge's misquotation of their seventh defense was improper and that somehow res judicata has been improperly used against them. None of these arguments are on point. Nor are any of them sufficient to warrant a reversal of the District Court's ruling.

[4] Appellants presented nothing but fanciful and frivolous material, nothing which could be considered to be of a substantial nature. This is contrary to the law in Montana. Cheyenne W. Bank v. Young (1978), 179 Mont. 492, 587 P. 2d 401, 35 St. Rep. 1806. The case law in Montana is clear on this issue and has been repeated and discussed numerous times. In Flansberg v. Montana Power Co. (1970), 154

Mont. 53, 460 P. 2d 263, the Court held that the burden is upon the party opposing the motion to present evidence of a substantial and material nature raising a genuine issue of fact. Once the corporation had presented its facts in support of the motion, appellants had the burden of opposing the motion with their own facts. They failed to do so.

The case law is explicit and the citations abound that the burden shifts to the party opposing the motion to present material and substantial facts to oppose the motion. Harland v. Anderson (1976), 169, Mont. 447, 548 P. 2d 613; Taylor v. Anaconda Federal Credit Union (1976) 170 Mont. 51, 540 P. 2d 151; Rumph v. Dale Edwards, Inc. (1979), Mont. 600 P. 2d 163 36 St. Rep. 1022; 6 Moore's Fed. Prac. 56.16. In State ex rel. Burlington Northern v. District Court (1972), 159 Mont. 295,

496 P. 2d 1152, we affirmed the rule that:

"Failure of the party opposing the motion to either raise or demonstrate the existence of a genuine issue of material fact, or to demonstrate that the legal issue should not be determined in favor of the movant, is evidence that the party's burden was not carried. Summary judgment is then proper, the court being under no duty to anticipate proof to establish a material and substantial issue of fact." 496

P. 2d at 1155.

In *Harland v. Anderson*, *supra*, the Court held that once the burden has shifted, the party opposing the motion is held to a standard of proof which is as substantial as that initially imposed on the moving party. Finally, in *Naegieli v. Daniels* (1955), 145 Mont. 323, 400 P. 2d 896, the Court held that the trial court, in considering a motion for

summary judgment, has no duty to anticipate possible proof that might be offered under the pleadings and that asking for such foresight demands "clairvoyance" not possessed by even a trial judge. The contentions for reversal that appellants argued (i.e., re judicata, contract voidability, etc.) were not presented in a substantial and material manner to the trial court.

The court found the contract void because the reams of evidence presented by the respondent supported it, and one need only to look to the previous discussion to see that the evidence was awesome. Appellants had to present evidence to oppose this material. They did not, and therefore the summary judgment motion was proper.

Appellants contend that the manner in which the judge construed their

seventh defense should be sufficient to deny the motion. The substitution of the word "further" for "later" is not sufficient grounds in light of the tremendous amount of facts presented by respondent to warrant a reversal of the ruling.

[5] Finally, appellants argue that the judgment from causes 8221/8073 should not be used (res judicata) against them. The findings of fact and conclusions of law that were established in consolidated causes 8221/8073 are binding on the appellants. 6 Moore's Fed. Frac. 56; In Re Russell (1974), 511, Cal.Rptr. 511, 12 Cal 3d 229, 24 P. 2d 1295. First, the issue is one that would involve collateral estoppel, i.e., issue preclusion; the issue does not involve res judicata, i.e., claim preclusion. Second. it would be burdensome, if not illogical, for a court not to recognize the findings and judgment of another court on the same factual issues. Finally, the contract was void ab initio in

August 1968, and the contract remains so today.

Issue 3: Are any of the appellants' "defenses" sufficient to warrant a reversal of the summary judgment (i.e., (a) laches, (b) estoppel, (c) ratification, (d) statute of limitations, (e) etc.)?

Appellants contend that the lower court erred because it failed to recognize the numerous "defenses" that would warrant reversal of the summary judgment. In the previous discussion the basis for granting summary judgment was presented. Appellants had the burden at the time of the motion in the District Court to present material and substantial facts to oppose the granting of the motion. Naegeli v. Daniels (1965), 145 Mont. 232, 400 P. 2d 896; Harland v. Anderson (1976), 169 Mont.

447, 548 P. 2d 613; 6 Moore's Fed.Prac. 56.15. They failed to do this.

[6] Appellants contend that the respondent by its actions ratified the contract and is thereby estopped from saying the contract is void. It has been held that a contract entered into without the power to contract cannot be ratified or enforced and that the incapacity to contract cannot be removed by estoppel. *Granzow v. Village of Lyons* (7th Cir. 1937), 89 F.2d 83.

[7] Further, appellants argue that respondent's action is barred by laches. The respondent has been pursuing this matter since the court declared that the corporate usurpers must be ejected and the rightful stockholders must be recognized. *Farmers State Bank of Conrad v. Iverson* (1973), 162 Mont. 130, 509 P.2d 839. Respondent

has not failed to pursue this action in a timely manner, but was merely delayed by the actions of the appellants and the corporate usurpers.

[8] The final contention by the appellants is that the respondent is barred by the statute of limitations to bring this action. This is unfounded because Section 27-2-214 and section 27-2-202 MCA, hold otherwise. Also, appellants could not have expected respondent to file sooner than December 10, 1971, because the corporation was in the control of the usurpers and the degree to which the usurpers had been defrauding the corporation did not become known until well after the contract in question was entered into.

Issue 4: Did the District Court err in substituting the partially reconstituted corporation in place of the plaintiff receiver while the corporation remained under receivership.

[9] Appellants contend the lower court erred in substituting the partially reconstituted corporation in place of the receiver. Under section 15-2291, R.C.M. 1947 (now section 35-1-922, MCA), the District Court had the power to make the substitution. Appellants' argument is unfounded in the facts and the law.

Issue on cross-appeal: Did the District Court err in its accounting decree?

This is a suit for an accounting. It must be decided upon its own peculiar facts and circumstances which clearly distinguish it from all other authorities cited and relied upon by either party. Reickoff v. Consolidated Gas Co. (1950), 123 Mont. 555, 217 P. 2d 1076.

[10] The District Court ruled that appellants were entitled to

\$819,321.08 for the crop share and interest. The corporation argues that this is improper because the court is rewarding the appellants for their illegal action. In an accounting action, the court is sitting in equity and can determine from the facts presented, the testimony and the circumstances which awards are the most equitable. The appellants did not act in good faith in their effort to acquire the land in question. There is little doubt that appellants knew the contract they entered into was suspect. However, they did give up something to acquire the farm. They gambled that the contract would never be questioned and proceeded to treat the land as their own since 1968. To deprive persons of their efforts and to say that they did not actually "keep" the farm operating efficiently and profitably during that period would also be

unfair.

[11] A dilemma occurs as to whether appellants should be awarded for their efforts or deprived of any reimbursement for the caretaking of the farm. The District Court was proper in ruling that the appellants should receive two-thirds of the crop share, \$819,321.08, if for no other reason than it was fair and equitable. To deprive appellants the fruits of their labor for thirteen years would not be in the best interests of justice, fair play and public policy. Reickhoff, *supra*, does not apply as that case deals with a willful trespasser. This Court will not treat appellants as such, but will follow the rule of equity that each case stands on its own facts in an equity action. *Hamilton v. Rock* (1948), 121 Mont. 245, 191 P.2d 663.

[12] However, the District Court did err in its accounting decree

in allowing appellants the excess amounts by which the value of improvements made upon the farm exceeded the costs of such improvements. The corporation argues that the reimbursement for the improvements should be limited to the cost of those improvements and cites the Restatement of the Law, Restitution, § 42 at 42, as authority, along with various case citations in support of the Restatement. Also, the corporation contends that the rule in this state is that a willful trespasser shall receive no compensation for the improvements made and any improvements appellants made after the instigation of this action should not be compensated for. However, the corporation asked in its pleadings that appellants receive no more than the cost of the improvements. 42 C.J.S. Improvements, § 7 at 436-437, states:

"As a general rule an occupant is regarded as an occupant in bad faith and is not entitled to compensation for his improvements, where, and only where, he either has actual notice of adverse title, or what is equivalent thereto, such as where there is brought home to him notice of some fact or circumstance that would put a man of ordinary prudence to such an inquiry as would, if honestly followed, lead to a knowledge of the adverse title. It has also been held that an occupant cannot recover if he had full means of discovering the existence of such adverse title, because in order to be in the position of a holder in good faith he must have used proper care and diligence in ascertaining the condition of the title on which he bases his claim..."

See also *Fouser v. Paige* (1980), 101 Idaho 294, 612 P.2d 137. The dis-

cussion continues in 42 C.J.S. Improvements § 7 at 438, by stating, "... it is generally held that an accupant is not entitled to compensation for improvements made on the land after the commencement of an action in which title is disputed." From the foregoing and from the facts on hand in this matter, it would appear that appellants are not entitled to the cost of their improvements, much less the enhanced value. Appellants were aware of the questionable nature of their title, contained in the void contract and there is no question that the majority of the improvements took place after this suit had commenced. However, the corporation is asking that the credit allowed appellants be reduced by \$81,148 - that is, it does not want the entire credit removed but only the enhanced value. Since this is the amount plead, and this Court is sitting in equity on the

accounting decree, the award to appellants should be reduced from \$192,500 (enhanced value of improvements) to \$110,352 the cost of the improvements.

[13] The District Court further erred in the accounting decree by allowing appellants to retain the oil and gas income derived from the corporation farmland during the accounting period. Boumas received "title" to the oil and gas rights through the void contract. The corporation, represented by Krull and Treadaway, did not have the authority to make the original contract and therefore, did not have the authority to contract away the corporation's mineral (oil and gas) rights. This allowance must be vacated.

As so modified the judgment of the District Court is affirmed.

HASWELL, C.J. HARRISON, WEVER and MORRISON, JJ., and JACK L. GREEN

District Judge, concur.

APPENDIX C

IN THE DISTRICT COURT OF THE NINTH
JUDICIAL DISTRICT OF THE STATE OF
MONTANA, IN AND FOR THE COUNTY OF
PONDERA

* * * * *

LARRY. C. IVERSON, INC.,

)

Plaintiff

)

No. 8500

v

ORDER

RALPH BOUMA and MRS. RALPH
BOUMA, et al.,

)

Defendants

)

* * * * *

Inasmuch as the Montana Supreme Court has completed appellate
proceedings herein and issued remittitur, this court sat at Conrad,
Montana at 9:00 o'clock, A.M. Friday, February 26th, 1982 to hear and

resolve any further questions between the parties to this litigation.

The Court had before it the Opinion of the Montana Supreme Court and additional evidence was taken in order that the Decree and Final Judgment of this Court entered September 8, 1980, as amended October 7, 1980, could be updated to reflect matters occurring since that date in a fashion consistent with the prior judgment of this Court and the Opinion of the Montana Supreme Court.

IT IS HEREBY ORDEREED that prior judgment of this Court be modified in the following respects only:

1. Pursuant to the Opinion of the Montana Supreme Court, the "Mineral Deed" purportedly issued by Larry C. Iverson, Inc. to Ralph Bouma, dated August 8, 1970 and recorded at Book 52, Page 103, in the records

of Deeds, Pondera County, and at Book 77, Page 157, in the records of Assignments of Oil and Gas, Toole County, is declared void ab initio for the reasons expressed by the Montana Supreme Court in its said Opinion, and title to any mineral interests claimed by defendants thereunder are hereby quieted in Plaintiff.

2. Further, pursuant to the Opinion and remittitur of the Montana Supreme Court herein, the September 8, 1980 Order of this Court as amended by this Court's Order of October 7, 1980, is amended to show a net balance in favor of Ralph Bouma in the amount of \$44,652.00 at Paragraphs 3 and 7 on pages 9 and 10 of the September 8, 1980 judgment and interest at 10% per annum is allowed thereon to this date in the amount of \$6,545.00 making due this day the sum of \$51,197.00 in favor

of Ralph Bouma and against Plaintiff, subject however to the debits and credits allowed to the parties by agreement in a fashion consistent with the allowances made in the judgment of this Court September 8, 1980;

TO PLAINTIFF

Costs on appeal per cost bill dated January 15, 1982	\$1,331.05 (included)
Landlord's 1/3 crop share crop of 1980, together with interest at 6% from Sept. 30, 1980.	Allowed for
Landlord's 1/3 crop share crop of 1981, together with interest at 65 from Sept. 30, 1981.	"
Oil and Gas Revenue 1980, with interest thereon at the rate of 6% per annum from Dec. 30, 1980	"

TO PLAINTIFF (cont'd)

Oil and Gas Revenue 1981, with
interest thereon at the rate of
6% per annum from Dec. 30, 1981

"

Oil and Gas Revenue 1982

"

\$213,073.52

\$ allowed for

"

"

"

"

Total to Ralph Bouma

\$191,643.48

After application of the foregoing debits and credits the court finds a balance in favor of Plaintiff for which judgment is hereby entered in the amount of \$21,430.04, said sum to draw interest at the rate of 10% per annum until paid.

The above balance in favor of plaintiff shall be paid by deduction from the funds of Escrow 92, Central Bank, which shall be paid over to Ralph Bouma as provided in paragraph 2, page 9 of the Judgment of this Court, September 8, 1980. Disbursement of Escrow 92 funds shall be made at the hour of 11:00 o'clock A.M., April 2, 1982, at the premises of Central Bank, Great Falls, Montana on condition that possession of the real estate is peacefully transferred (without prejudice to Mr. and Mrs. Bouma's rights, if any) as hereinafter provided.

Plaintiff's motion seeking to be put in possession of its lands as provided by Judgment, September 8, 1980, is hereby granted and defendant shall vacate the same at the hour of 2.00 o'clock, P.M., on April 1, 1982 in favor of plaintiff corporation or such person as said plaintiff may appoint in writing to act for it at that time and place. Until such time defendant shall keep the premises secure and protect the same from inclement weather.

The Clerk has issued an appropriate writ to the Sheriff of Pondera County in aid of enforcement hereof.

DATED this 26 day of February, 1982.

Leonard H. Langen

JUDGE OF THE DISTRICT COURT

APPENDIX D

IN THE SUPREME COURT OF THE
STATE OF MONTANA

* * * * *

LARRY C. IVERSON, INC.,)	
Plaintiff & Respondent)	No. 82-81
v)	OPINION AND ORDER
RALPH BOUMA, MRS. RALPH BOUMA)	DISMISSING APPEAL

Defendant & Appellants.

* * * * *

PER CURIUM:

Pursuant to the Internal Operating Rules of this Court, this appeal is given classification No. 1 and summarily dismissed.

On November 17, 1981, this Court decided the case of Larry C. Iverson, Inc. v. Bouma (1981), ____ Mont.____, 639 P.2d 47, 38 St. Rep. 1911. In that case, we partially affirmed a summary judgment issued by

the Honorable Leonard H. Langen, modifying only the court's accounting decree in accordance with our opinion. The modification of the accounting decree involved nothing more than clerical matters; no substantive or procedural decisions were involved.

After Judge Langen set the date for a hearing to modify the accounting decree, appellants filed an affidavit to disqualify Judge Langen. Respondent then filed a writ of supervisory control with this Court seeking to set aside the affidavit and proceed with the scheduled hearing before Judge Langen. We denied the writ without prejudice and ordered the Honorable Mark Sullivan to conduct disqualification proceedings. Judge Sullivan found no showing of prejudice or bias on the part of Judge Langen and granted respondent's motion to strike appellants' affidavit.

Finally, on February 26, 1982, a hearing was held before Judge Langen to resolve any questions arising out of the remand and modification of the accounting decree. Acting under this Court's specific instructions, Judge Langen modified the accounting decree.

The transcript of the disqualification proceedings shows the real purpose underlying Mr. Bouma's attempts to postpone the resolution of this case. In final statements before Judge Sullivan, Ralph Bouma, representing himself, stated "the real issue is yet whether or not they can take possession of my farm." (Transcript of hearing before Judge Sullivan, February 23, 1982, pg. 150)

Mr. Bouma has failed to realize that this issue was completely and finally resolved in our prior decision.

Now, on appeal, Mr. Bouma is claiming that the members of this Court as well as Judge Langen violated his rights to due process because of prejudice. Mr. Bouma has failed to show any competent evidence of prejudice or bias on the part of either Judge Langen or this Court.

Mr. Bouma is seeking nothing more than relitigation of issues already settled. We remind Mr. Bouma that the law cannot, and will not, be distorted to satisfy the personal whims of one man.

The appeal is hereby summarily dismissed as frivolous and damages in the amount of five hundred dollars (\$500.00) are hereby assessed against appellants, Mr. and Mrs. Bouma, and awarded to respondent, Larry C. Iverson, Inc., pursuant to Rule 32, MR.App.Civ.P.

DATED this 2nd day of December, 1982.

Frank Haswell
Chief Justice

Gene B. Daly

John C. Harrison

Frank Morrison

Daniel J. Shea

APPENDIX E

IN THE SUPREME COURT OF THE
STATE OF MONTANA

* * * * *

RALPH BOUMA and
MRS. RALPH BOUMA

)

No. 82-81

Appellants,

)

ORDER

vs

LARRY C. IVERSON, INC.,

)

Respondent

)

* * * * *

PER CURIUM

The petition for rehearing is denied.

DATED this 16th day of December, 1982.

Frank J. Haswell

Chief Justice

Gene B. Daly

John C. Harrison

Frank Morrison

Daniel J. Shea

John Sheehy

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